

Message Text

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ORIGIN ARA-10

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TO AMEMBASSY PORT AU PRINCE

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E.O. 11652: N/A

TAGS: EMIN, EIND, HA

SUBJECT: REYNOLDS - GOH NEGOTIATIONS

1. REYNOLDS' GENERAL COUNSEL SIKOROVSKY HAS ADVISED DEPARTMENT THAT REYNOLDS AND GOH HAVE REACHED A DEADLOCK IN TAX NEGOTIATIONS. IMPASSE ARISES FROM DIFFERENT POSITIONS ON REYNOLDS' LIABILITY FOR BACK TAXES.

2. ON JULY 8, REYNOLDS RECEIVED LETTER FROM GOH RE-ESTIMATING BACK TAX LIABILITY FOR 1967-1973 AT DOLS. 12 MILLION, A DOLS. 3 MILLION REDUCTION FROM ESTIMATE SUBMITTED TO COMPANY IN DECEMBER. DURING NEGOTIATIONS WEEK OF JULY 21 REYNOLDS ADVISED GOH THEY WERE NOT IN POSITION TO PAY BACK TAXES FOR WHICH COMPANY DOES NOT ACKNOWLEDGE LIABILITY. IF BACK TAX ISSUE RESOLVED, REYNOLDS WAS PREPARED TO NEGOTIATE THREE-YEAR DEAL SIMILAR TO JAMAICAN PRODUCTION LEVY ADJUSTED FOR DIFFERENCES IN COST OF PRODUCTION IN HAITI. REYNOLDS OFFERED TO PAY DOLS. 150,000 AS COMPROMISE ON BACK TAXES. GOH REFUSED REYNOLDS OFFER BUT IN TURN OFFERED TO REDUCE BACK TAXES TO DOLS. 9 MILLION IF AGREEMENT

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REACHED ON PRODUCTION TAX LEVY. NEGOTIATIONS WERE RECESSED

JULY 24.

3. REYNOLDS HAS RECEIVED LEGAL OPINIONS FROM THEIR HAITIAN LAWYER GEORGES N. LEGER AND NEW YORK COUNSEL CONFIRMING THAT NO BACK TAXES DUE.

4. ON AUGUST 1, SERGE CHARLES, WHO WAS PRESENT AT NEGOTIATIONS, CONTACTED REYNOLDS IN APPARENT EFFORT TO ARRANGE COMPROMISE. CHARLES SAID GOH WOULD ACCEPT DOLS. 4 MILLION FOR BACK TAX PAYMENT. REYNOLDS ULTIMATELY OFFERED DOLS. 2 MILLION PAYMENT TO GOH IF SATISFACTORY PRODUCTION LEVY ARRANGEMENTS CONCLUDED. AT THIS POINT CHARLES SAID REYNOLDS OFFER WAS NOT SATISFACTORY AND INDICATED IT WOULD BE NECESSARY TO DISCUSS AN INVENTORY AND VALUATION OF REYNOLDS ASSETS.

5. REYNOLDS SENDING TELEX AND LETTER OUTLINING THEIR POSITION AND REPORTING ON DISCUSSIONS WITH CHARLES TO HENRI BAYARD, COORDINATOR OF NATIONAL INSTITUTE OF MINERAL RESOURCES, WHO SERVED AS MODERATOR DURING RECENT NEGOTIATIONS. ACCORDING TO SIKOROVSKY THESE NEGOTIATIONS IN WHICH BROS, MURAT, JEANTY, AND LEVEQUE PARTICIPATED WERE CONDUCTED IN MUCH BETTER ATMOSPHERE THAN SESSIONS LATE LAST YEAR BUT FUNDAMENTAL DIFFERENCES STILL EXIST WITH REGARD TO BACK TAXES.

6. REYNOLDS IS NOT PLANNING TO SEND REPRESENTATIVES FROM RICHMOND TO PARTICIPATE IN NEGOTIATIONS WHICH WERE PREVIOUSLY SCHEDULED TO RESUME THIS WEEK. BAYARD HAS ADVISED LEGER THAT HE WOULD BE EXPECTED TO BE THERE BUT ACCORDING TO SIKOROVSKY, LEGER HAS RESIGNED FROM REPRESENTING REYNOLDS BECAUSE OF IMPASSE.

7. REYNOLDS IS NOT REQUESTING ANY ASSISTANCE FROM DEPARTMENT OR EMBASSY. KISSINGER

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